

INTERSTATE LAND MANAGEMENT CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2017 and 2016

INTERSTATE LAND MANAGEMENT CORPORATION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Interstate Land Management Corporation  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Interstate Land Management Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interstate Land Management Corporation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*James A. Wilk, P.C.*

November 20, 2017

INTERSTATE LAND MANAGEMENT CORPORATION  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 426,429	\$ 442,067
Accounts receivable	42,843	41,546
Prepaid expenses	<u>46,390</u>	<u>-</u>
Total Current Assets	<u>515,662</u>	<u>483,613</u>
PROPERTY AND EQUIPMENT		
Machinery and equipment	36,964	36,964
Less accumulated depreciation	<u>20,397</u>	<u>13,875</u>
Total Property and Equipment	<u>16,567</u>	<u>23,089</u>
 TOTAL ASSETS	 <u>\$ 532,229</u>	 <u>\$ 506,702</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable & accrued expenses	\$ 79,174	\$ 13,285
Rental income received in advance	-	4,877
Expenses appropriated for but not expended	<u>450,055</u>	<u>485,540</u>
Total Current Liabilities	529,229	503,702
LONG-TERM LIABILITIES		
Security deposit	<u>3,000</u>	<u>3,000</u>
 TOTAL LIABILITIES	 532,229	 506,702
UNRESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 532,229</u>	 <u>\$ 506,702</u>

The accompanying Notes are an integral part of these statements.

INTERSTATE LAND MANAGEMENT CORPORATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	FOR THE YEARS ENDED	
	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Contract Rental Income	\$ 250,000	\$ 250,000
Rental Income	617,713	582,805
Interest Income	<u>745</u>	<u>745</u>
<b>TOTAL REVENUES</b>	<u>868,458</u>	<u>833,550</u>
<b>EXPENSES</b>		
Accounting & Auditing	9,625	9,790
Appraisal Fee	10,500	-
Depreciation	6,522	6,522
Employee Benefits	12,713	13,946
General Maintenance	561,072	550,843
Insurance-		
Directors and Officers	-	880
General Liability	58,147	53,794
Workers' Compensation	398	1,319
Legal	32,413	37,303
Office	2,887	4,188
Payroll Taxes	14,052	8,658
Rent Expense, Office	10,200	10,200
Salary	137,367	119,931
Telephone	3,295	4,472
Utilities	<u>9,267</u>	<u>11,704</u>
<b>TOTAL EXPENSES</b>	<u>868,458</u>	<u>833,550</u>
Change in Net Assets	-	-
Unrestricted Net Assets- Beginning of the Year	<u>-</u>	<u>-</u>
Unrestricted Net Assets- End of the Year	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes are an integral part of these statements.

INTERSTATE LAND MANAGEMENT CORPORATION  
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ -	\$ -
Noncash items included in net assets		
Depreciation	6,522	6,522
Changes in Operating assets and liabilities		
Accounts receivable	(1,297)	(20,319)
Prepaid expenses	(46,390)	-
Rental income received in advance	(4,877)	(1,069)
Expenses appropriated for but not expended	(35,485)	195,851
Accounts payable and accrued expenses	<u>65,889</u>	<u>(56,487)</u>
Net Cash Provided by Operating Activities	<u>(15,638)</u>	<u>124,498</u>
NET (DECREASE) INCREASE IN CASH	(15,638)	124,498
CASH - BEGINNING OF YEAR	<u>442,067</u>	<u>317,569</u>
CASH - END OF YEAR	<u>\$ 426,429</u>	<u>\$ 442,067</u>

The accompanying Notes are an integral part of these statements.

INTERSTATE LAND MANAGEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - Summary of Significant Accounting Policies

Nature of Operations - The company is a Pennsylvania not-for-profit corporation which is tax exempt under Section 501 (c)(4) of the Internal Revenue Code. Interstate Land Management Corporation ("ILMC") was organized for the purpose of marketing, leasing and maintaining certain areas adjoining an interstate highway.

ILMC leases these areas from the City of Philadelphia ("City"). Under the agreement, revenues received by ILMC in excess of expenses are to be paid back to the City as rent. The agreement expires March 29, 2020.

Treatment of certain estimated liabilities and expenses on the accompanying statements of financial position and activities assume that ILMC should be treated for accounting purposes as a quasi-governmental body. Expenses appropriated for but not expended at June 30, 2017 and 2016 were \$450,055 and \$485,540, respectively.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable - Accounts receivable reflects rental income earned not yet collected from the tenants. The Company charges income with doubtful accounts when they are considered uncollectible. Management considers the receivables to be fully collectible at the balance sheet dates, and no provision for uncollectible accounts has been made in these statements.

Equipment and Depreciation - Equipment is stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets, which is five years. All major acquisitions and improvements are capitalized, whereas maintenance and repairs are charged to expense as incurred. Depreciation expense for the fiscal years ended June 30, 2017 and 2016 are, \$6,522 each year.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

INTERSTATE LAND MANAGEMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE A - Summary of Significant Accounting Policies- Continued

Rental Income Received in Advance - ILMC receives rents relating to future periods. These amounts are deferred and are recorded as rental income received in advance until they are earned. Rental income received in advance for the fiscal years ended June 30, 2017 and 2016 were \$0 and \$4,877, respectively.

Revenues - ILMC considers all revenues to be unrestricted.

NOTE B - Rental Income

ILMC leases land under agreements with terms ranging from month-to-month to thirty years. Additionally, ILMC has been assigned the rights to rental income from PennDOT under a lease with the Philadelphia Parking Authority (at Vine Street Garage) expiring in 2089. The lease states that rental income equals the greater of minimum rent or 50% of the authority's revenues beginning to accrue on the first day of the month following the garage completion date (July, 1992). Minimum rent is currently \$250,000 per year.

Future minimum lease payments receivable under all leases through March 29, 2020, which is the current expiration date of the City agreement (see Note A) are as follows:

Year Ending June 30,

2018	\$ 587,921
2019	557,048
2020	405,036
2021	<u>42,504</u>
Total	<u>\$1,592,509</u>

Note C - General Maintenance, Appropriated for But Not Expended

ILMC's Statement of Activities and Changes in Net Assets include a provision for funds appropriated by the Board of Directors for lighting repairs and replacement, landscaping, landscape management, general maintenance and design planning that were not incurred by, or spent by, year end. General maintenance funds appropriated for but not expended were \$450,055 and \$485,540 for the years ended June 30, 2017 and 2016, respectively.

INTERSTATE LAND MANAGEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

Note D - Operating Lease Commitments

The Company has a lease for office space within Philadelphia and is on a month to month basis. The lease provides for a monthly rent of \$850. Rent expense for the years ended June 30, 2017 and 2016 were \$10,200 each year.

Note E - Retirement Plan

ILMC contributes to a retirement plan for the benefit of its employees. The employee can contribute up to 2.5% and the company will make a matching contribution of 2.5% of the employee's salaries, totaling \$3,013 and \$4,204, for the years ended June 30, 2017 and 2016 and is included in employee benefits.

Note F - Commitments and Contingencies

A lawsuit has been filed against ILMC. The company doesn't anticipate there to be any cost not covered by insurance.

NOTE G - Concentrations

ILMC generated approximately 52% of its revenues from two tenants and state based funding during the year ended June 30, 2017. Accounts receivable from one of these tenants represents approximately 49% of accounts receivable at June 30, 2017.

ILMC generated approximately 44% of its revenues from two tenants and state based funding during the year ended June 30, 2016. Accounts receivable from one of these tenants represents approximately 50% of accounts receivable at June 30, 2016.

NOTE H - Uncertain Tax Positions

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

INTERSTATE LAND MANAGEMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

NOTE I - Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note J - Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 20, 2017, the date on which the financial statements were available to be issued.